

# **MEDICAL CENTERS MANAGEMENT COMPANY**

## *Operational Profile*

*A member of Lakah Group*



*January 1999*

**Appendix**

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## 1. MARKET PROFILE

### 1.1. PRIMARY MARKET – EGYPT



MCMC was established to serve the medical imaging market having a population of approximately 64 million people. Several factors have caused a rapid and continuing growth in this sector in Egypt and same are outlined hereunder.

#### 1.1.1. GOVERNMENT RESTRUCTURING

Since 1981 the Egyptian government has embarked on a program of economic restructuring. This program was split into a number of successive 5-year plans, which endeavored to shift the country's economic structures from a legacy of state involvement and a deeply rooted bureaucratic tradition, toward private initiative. The success of these programs is illustrated by the resulting continuous and significant increase of national GDP growth coupled with declines in both the unemployment and inflation rates.



#### 1.1.2. 5 YEAR PLANS

The Egyptian healthcare system is currently being reformed based on the fourth of five 5 year plans. LE 8.7 billion have been earmarked to implement this current plan, of which LE 6.5 billion are allocated to Ministry of Health and Population (and affiliates), and LE 2.2 billion are allocated to private sector projects. The following table illustrates some of the goals of this plan.



Description	1996/1997 Plan	2001/2002 Plan
Beds (Nation-wide)	119,463	164,000
Ministry of Health Beds	69,093	109,093
Public and Central Hospitals	219	268
Public and Central Hospitals Beds	33,800	50,742
Rural Health Units	2,350	3,220
Rural Hospital Beds	5,400	14,400
Rural Hospitals	200	1,000
# of Physicians (Nation-wide)	121,600	184,500
# of Physicians (MOH)	56,351	62,800
# of Dentists	15,900	20,000
# of Pharmacists (Nation-Wide)	35,100	38,600
# of Nursing Staff (Nation-Wide)	141,700	196,800
Rural Sector Beds	10,600	14,000

#### 1.1.3. IMPACT OF RESTRUCTURING

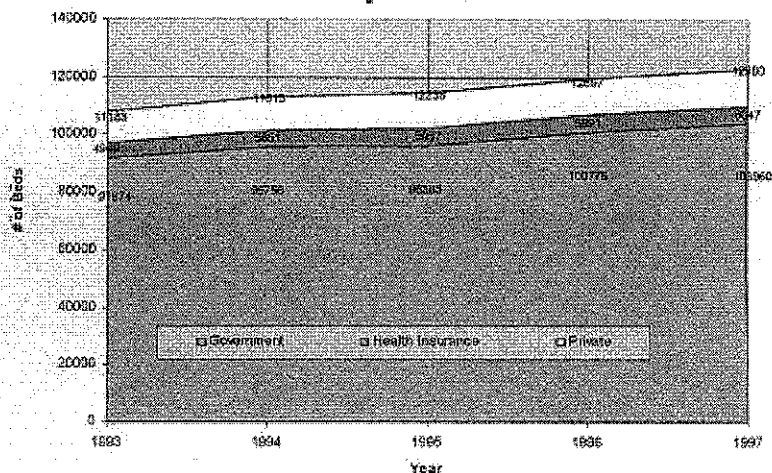
The results of this restructuring have been significant and coupled with direct foreign investment in excess of US\$ 1.2 Billion p.a. since 1996. These factors have helped lower the national unemployment rate to approximately 8.8%. Simultaneously, the government has strongly encouraged this drive toward privatization by placing a cap on public sector employment since the early 90's. Increased employment and economic well being has increased the pool of eligible insurance candidates as well as the means of the general population to afford an increasingly high standard of health care.

#### 1.1.4. HEALTHCARE SPENDING

In fiscal year 1996/97, investments in the health sector (public, private, cooperative, and governmental) totaled LE 3.288 Billion, compared to LE 2.098 Billion in fiscal year 1995/96, a significant increase.

One measure of healthcare spending, and the need for healthcare support services, which MCMC offers, is demonstrated by the number of hospital beds available to the population. During the period 1993 through 1997, an increase of approximately 14% has occurred as shown below. For example, total hospital bed count rose from 114,500 in 1995/96 to 119,463 in 1996/97, i.e. approximately 5%.

### Hospital Beds



#### 1.1.5. PARADIGM SHIFT

In addition to the growth of the healthcare market as a whole, the shift in emphasis from the very large governmental sector to the private sector will provide new opportunities, which MCMC is uniquely suited to meet. Expansion of the private service providers will result in an increased demand not only for medical equipment, but for healthcare infrastructure as a whole as new private facilities replace decommissioned government facilities. MCMC., through its sister companies, is the only vendor capable of participating in the complete range of tenders from individual imaging devices to complete turnkey facilities and medicenter management.

#### 1.1.6. MARKET SHARE

MCMC has succeeded to increase the market share from 3 % by 1997, up to 12 % by end of 1998 .

Also the the number of cases has been improved by 50% during the same period.

#### 1.1.7. COMPETITION

##### 1.1.7.1. CAIRO RADIOLOGY CENTER

CRC is one of the first radiology centers in Egypt fully equipped with radiology modalities. CRC has a big share of the non-insured private sector.

#### 1.1.7.2. ALPHA SCAN

One of the big radiology centers in Cairo. They already have some contracts with the Health Insurance Authority, besides the non-insured private sector.

#### 1.1.7.3. OTHERS

Other medium to large size radiology centers, approximately 100, spread all over the country that take a big amount of the Egyptian market.

#### 1.1.8. MARKET RISKS

Despite a generally positive market situation and currently stable political and economic outlook, certain risk factors must be recognized and provided for.

##### 1.1.8.1. REGIONAL STABILITY

The continuing crisis in the Gulf region and Middle East Peace process continue to give cause for concern. Escalation of tensions or a deterioration of regional cooperation could have secondary effects in Egypt.

##### 1.1.8.2. TERRORIST THREAT

In the past, isolated terrorist attacks within Egypt have had significant negative effects on tourism and foreign investment. Currently the situation is relatively stable however, and the economy has show itself to be very resilient, continuing to grow long term despite temporary setbacks.

##### 1.1.8.3. LOCAL FINANCING

Financing of private medical practitioners and institutions is a key element of success in this market. Adequate guarantees are not always available and therefore a certain risk is present. As a result, individual risk profiles and assessments are mandatory in order to avoid excessive risk exposure.



## 2. COMPANY PROFILE

### 2.1. LEGAL BACKGROUND

MCMC was established on 1995 according to law number 159 of year 1981 with an issued capital of LE 250,000. In 1986, the authorized capital was increased to LE 50 million, and the issued capital to LE 4,000,000. In 1998 the authorized capital was increased to LE 250,000,000 and issued and paid to LE 103,000,000.

### 2.2 NATURE OF BUSINESS

- 2.2.1 Managing Medical Centers, hospitals, and Medical Services.
- 2.2.2 Import Medical Equipment, spare parts, and maintenance.
- 2.2.3 Training of technical staff.
- 2.2.4 Planning technical and administrative advises regarding company activities, and preparing feasibility study.
- 2.2.5 Leasing according to law 1599 year 1995.

### 2.3 HISTORY

MCMC launched its first operation by signing a contract with Cairo Healthcare Organization (Public sector organization), in May 1996, to supply, install, and operate Computerized Tomography centers in return of collecting 87% of the revenue in the following hospitals: Heliopolis, Elehelal, Alharam) Subsequently CHO signed an additional contract to operate the CT center in Al-Aguza Hospital on July 1997 in return of collecting 60% of the revenue.

Due to our good performance in these centers, Ministry of Health expanded the contract to include some other hospitals in Bani-Swif, Kafr-Elsheekh on November and December 1997.

During 1998, MCMC signed new contracts for the following hospitals

- Naser Institute
- Quena
- Hurghada
- El - Salam
- Marsa Matrouh

Additionally, the General Organization for Educational Hospitals signed a contract to supply and operate Toshiba Auklet CT scanner in Ahmed Maher Hospital. The total CT centers at the end of 1998 reached twelve.

In order to provide Medical support for these operations MCMC made an agreement with Arabian Medical Consultancy Group to provide consultant doctors and nursing for these centers.

## 2.4 CAPITAL AND SHAREHOLDER STRUCTURE

### 2.4.1 THE CAPITAL

Issued Capital	LE 250,000,000
Authorized Capital	LE 250,000,000
Paid-Up Capital	LE 103,000,000

### 2.4.2 SHAREHOLDER STRUCTURE

The company's shareholder structure is shown below.

Shareholders	no. of Shares	Ownership	Face Value ('000 LE)
Holding Company for Financial Investment (Lakah group)	1,009,150	97.976%	100,915,000
Ramy Raymond Lakah	10,300	1.000%	1,030,000
Michel Raymond Lakah	10,300	1.000%	1,030,000
Ramy Mostapha	250	0.024%	25,000
<b>Total</b>	<b>1,030,000</b>	<b>100.000%</b>	<b>103,000,000</b>

## 2.5 QUALITY

Quality is a paramount concern of both our organization and the group in total. As a pilot scheme we decided to certify one of the group companies to ISO 9000. Having obtained this certification we felt that a more quantifiable standard would be better for our particular business environment and therefore we decided to opt for the EQAP certification for all of our group. This process is presently under implementation in MCMC and all group companies.

## 2.6 MANAGEMENT ORGANIZATION

The company's top management is comprised of a General Manager, Marketing & Logistics Manager, Finance & Administration Manager and Medical & Technical Manager. Profiles of management are outlined in the Human Resources section of this document.



**2.7 STRATEGY**

**2.7.1** Expanding our medical centers to include additional imaging modalities such as Ultrasound, MRI, X ray, etc. in both public and private sector hospitals.

**2.7.2** Establish new centers in Alexandria, Sinai and Western Egypt.

**2.7.3** Studying a new project to operate Endoscopy, dialysis within the government sector

**2.7.4** **Telemedicine System**

MCMC has ambitious project which consists of installing acquisition stations in urban centers from which to transmit both medical information and radiographic images into where the consultant are located. Basically bringing the specialists to all centralized locations. We intend to market this system in both the Middle East and Africa.

The proposed system can be applied to new areas, not only through Egypt, but also in Africa and the Middle East

**2.7.5** **Korba Medical Center Project**

MCMC started a project in the heart of Heliopolis for constructing a specialized hospital consists of seven floors and garage as follow:

- 1st floor: Dental, Plastic surgery, and physiotherapy departments.
- 2nd floor: Gynecology and obstetric department.
- 3rd floor: Pediatric department.
- 4th floor: Urology and Nephrology, Endoscopy, and dialysis departments.
- 5th floor: Neurosurgery, and Neuro ICU department.
- 6th floor: Oncology department.
- 7th floor: Radiology, Lab, Pharmacy, restaurant, and coffee shop.

The total Hospital will be one of the largest hospitals in Egypt with estimated cost reaching LE 132 millions. Expected completion date 2001.

**2.7.6** **New Heliopolis City Center Project**

Another project mirror of Korba project will be in our prospection in 4 years

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### 3. Products and Services

#### 3.1 SCOPE OF SERVICES

- 3.1.1. Supply and operate Computerized Tomography Centers.
- 3.1.2. Operate Computerized Tomography centers owned by the hospital.
- 3.1.3. Site and infrastructure preparation for the CT units.
- 3.1.4. Supply and operation of all types of diagnostic imaging centers.

#### 3.2 STRENGTH OF THE COMPANY

- 3.2.1. Synergy within the Lakah Group enabling in-house supply of diagnostic equipment.
- 3.2.2. Close affiliation with the best medical specialists in radiology (CRC) in Egypt.
- 3.2.3. Structured and focused organisation with a highly experienced staff.
- 3.2.4. Having been first in this Market segment we are respected as the most professional and experienced partners in this sector.

## 4. Human Resources

### 4.1. ORGANIZATION HIERARCHY

The company is organized in accordance to an organization chart, which must be approved by Lakah group and MCMC management. Positions within the organization chart are supported by job function guidelines signed and approved by management.

#### 4.1.1. AUTHORITY HIERARCHY

Positions are organized in a hierarchy and reporting relationships are in accordance with same.

#### 4.1.2. SCALAR CHAIN

The line of authority from top management to the lowest ranks represents the scalar chain. Communications should follow this chain. However, if following the chain creates delays, cross communications can be allowed, if agreed to by all parties, and superiors are kept informed.

#### 4.1.3. FORMAL RULES AND REGULATIONS

To ensure uniformity and to regulate the actions of employees, managers must depend heavily on formal organizational rules stated in the Policy Manual.

#### 4.1.4. UNITY OF COMMAND

Every employee should receive instructions from only one superior or his replacement/next level management in case he/she is not available.

#### 4.1.5. EQUITY

Managers should be kind and fair to their subordinates. Discrimination based on race, creed, color, gender, or factors unrelated to ability and job performance are not tolerated.

**4.2. HEADCOUNT**

Effective January 1999 the number of employees working directly in MCMC reached 21 employees. Labor breakdown is as follows:

<b>MCMC</b>	
<b>Department</b>	<b># Employees</b>
Management Team	4
Department Heads	3
Section Heads	9
Finance & Administration	5
<b>Total</b>	<b>21</b>

Contracted labor from the Consultancy Group reached a total of 151 and distributed as shown below

<b>Consultancy Group</b>	
<b>Department</b>	<b># Employees</b>
Consultants	4
Resident Doctors	24
General Administration	60
Medical Operators	63
<b>Total</b>	<b>151</b>

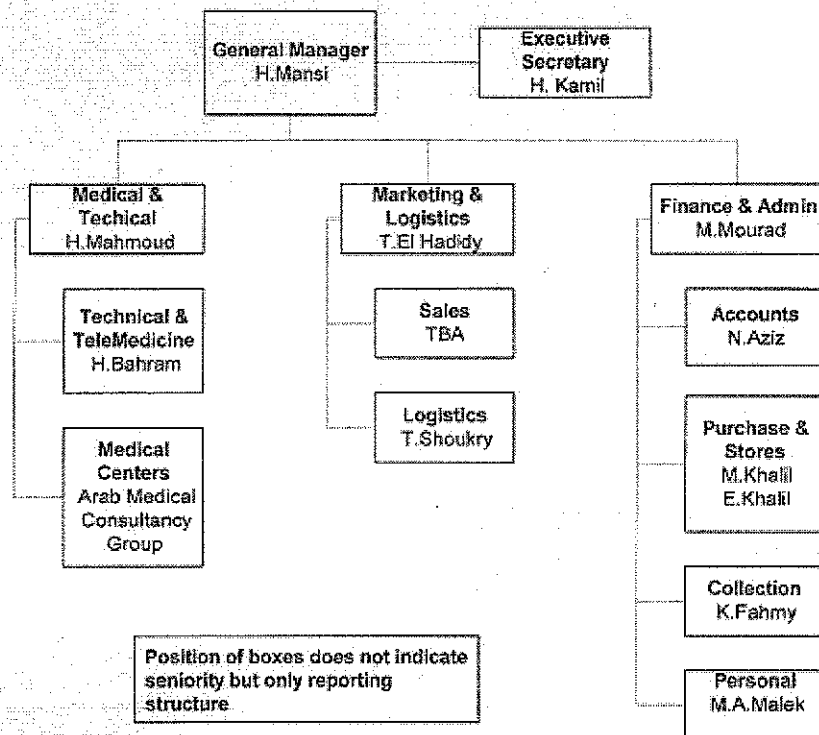
**4.3. JOB GRADE**

Job grade of each employee is determined according to a salary matrix in an ascending order starting at Grade A. Within each grade there is a scale of levels from 1 till 5 with an increase increment ranging from 8% to 15% as shown below.

	SG A	SG B	SG C	SG D	SG E	SG F	SG G	SG H	SG I	SG J
Level 1	400	599	896	1365	2080	3169	4959	7758	12138	18991
Level 2	432	647	968	1474	2246	3423	5355	8379	13109	20510
Level 3	467	698	1045	1592	2426	3697	5784	9049	14158	22151
Level 4	504	754	1129	1720	2620	3993	6247	9773	15291	23923
Level 5	544	814	1219	1857	2830	4312	6746	10555	16514	25837

#### 4.4 ORGANIZATIONAL CHART

Organization chart of MCMC is as shown below. Respective Job Function Guidelines and management profiles are available in Appendix 13,14 of this document.



#### 4.5 SIGNATURE MANDATE

In order to establish a clear line of fiscal responsibility with the company, a defined signature mandate has been established. This mandate clearly defines the boundaries with which each manager within the company may operate when allocating corporate assets. By establishing a clear hierarchy of fiscal responsibility, sufficient freedom is allowed to carry out necessary business activities in a timely and efficient manner while minimizing financial risk to the company. The text of this signature mandate is available in Appendix 1 of this document.

#### 4.6 COMMUNICATION POLICY

A communications policy has been established to ensure a uniform, professional standard of exchanging information throughout the company and with external entities (e.g., customers, vendors). This policy encompasses both written correspondence as well as electronic communications and personnel issues. A copy of this policy is available in **Appendix 2** of this document.

#### 4.7 DRESS CODE

A corporate dress code has been established which allows for individual tastes and preferences while maintaining an acceptably professional and appealing representation of company standards. A copy of this policy is available in **Appendix 3** of this document.

#### 4.8 LEAVE POLICY

A leave policy has been established in keeping with market benchmarks which allows employees necessary free time while allowing the company to minimize excess absenteeism. Such topics as paid vacation, paid sick leave, and unpaid leaves are defined. A copy of this policy is available in **Appendix 4** of this document.

#### 4.9 COMPANY ASSETS POLICY

In certain instances it is necessary for the company to entrust designated employees with fixed assets such as tools, cell phones, portable computers in the course of their job assignments. A policy has been established to ensure the responsible management of such assets and is available in **Appendix 5** of this document.

#### 4.10 TRAVEL, AUTOMOBILE, AND PER DIEM POLICIES

Company employees required to travel outside their normal routes to and from their place of work and their homes are compensated fairly for business related expenses they may incur in the performance of their duties on behalf of the company. Reasonable expenses such as lodging, food, transportation, cost-of-living excesses resulting from extended business travel are covered under this policy to control excess expenditures. In those instances where an employee is required to travel a sufficient distance on a regular basis, it may be more cost effective to issue that person with a company car. In keeping with this goal and in line with market standards a car policy has also been adopted. Copies of these policies are available in **Appendix 6, 7 & 8** of this document.



#### 4.11 STAFFING

An infrastructure has been developed to ensure that the company demands for new personnel are adequately met in terms of timely hiring of staff as well as staff qualifications. Integral elements of this structure include a recruitment policy, pro-forma employment contract, career development guidelines, and performance review standards. Through the use of such tools, the company may ensure that it invests in qualified personnel and maintains that investment throughout the lifetime of the employment contract to the maximum benefit of both the company and the employee. Copies of policies and contracts, related to these issues, are available in **Appendix 9,10,11** of this document.

#### 4.12 ENVIRONMENTAL IMPACT AWARENESS

An environmental awareness statement has been developed and is included in **Appendix 12** of this document.